

**IN THE MATTER OF THE APPLICATION )  
OF OREGON-IDAHO UTILITIES, INC. TO ) CASE NO. ORE-T-14-01  
INCREASE ITS MONTHLY RESIDENTIAL )  
RATE FOR TELEPHONE SERVICE ) ORDER NO. 33158  
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On August 5, 2014, the Commission issued a Notice of Application regarding the Company's request. On September 5, 2014, the Commission issued a separate Notice of Modified Procedure requesting written comments be submitted no later than October 9, 2014. Order Nos. 33087, 33115. Commission Staff was the only party to file comments. Based upon our review, we grant the Application as set out below.

## BACKGROUND

Oregon-Idaho has not increased its Idaho residential rate since 1990. *Id.* at 3. The Company receives federal high-cost support from the federal Universal Service Fund (USF), but does not participate in the Idaho USF program. *Id.*

**1**

In 2011, the FCC set out to reform the federal USF by creating the Connect America Fund (CAF).<sup>2</sup> In 2014, the FCC issued its Connect America Fund – Phase II Order (*CAF-II Order*), establishing the basis for providing federal high-cost support to rate-of-return carriers, such as Oregon-Idaho. In that order, the FCC set the monthly rate floor for CAF-II funding at \$16.00 per month for local service (including state regulated fees), effective December 1, 2014. *CAF-II Order* at ¶¶ 80, 85 (excludes Lifeline customers (n.156)). The eligibility threshold rate to receive the CAF-II funding will increase each year until it reaches \$20.46 per month effective July 1, 2017 through June 30, 2018. *Id.* at ¶ 80. Carriers with monthly rates that fail to meet or exceed this rate floor will have their federal funds reduced proportionally on a dollar-for-dollar basis. *Id.* at ¶¶ 80-81.

To meet the FCC’s monthly rate floor and thus maintain eligibility for CAF-II funding, Oregon-Idaho proposes to increase its single-party residential monthly rate (before inclusion of state regulated fees) as follows:

| DATE             | RATE    | PERCENTAGE INCREASE |
|------------------|---------|---------------------|
| Current Rate     | \$15.77 | –                   |
| December 1, 2014 | \$16.00 | 1.5%                |
| June 1, 2016     | \$18.00 | 12.5%               |
| June 1, 2017     | \$20.00 | 11%                 |

Application at 5, Exh. No. 3. Based on the current number of residential lines, the Company reports that the proposed rate increase would generate approximately \$2,800 in annual revenues when fully implemented in 2018. Application at 6.

Oregon-Idaho notified each of its customers about the proposed rate increase in mailings sent July 17 and September 8, 2014, and a press release issued July 30, 2014. See Exh. No. 3; Comments at 4-5.

### STAFF COMMENTS

Staff performed an audit of Oregon-Idaho’s 2013 financial records. Staff noted that there is a range for reasonable revenue requirements. That range depends on factors, including: return on equity; allocation variables between Oregon and Idaho functions; expense levels; and prudence of all investments. Comments at 3. Using the allocation factor provided by Oregon-Idaho, Staff calculated a reasonable annual revenue requirement to be between \$365,741 and

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<sup>2</sup> *USF/ICC Transformation Order Connect America Fund; National Broadband Plan for Our Future, et seq., Report and Order and Further Notice of Proposed Rulemaking*, 26 FCC Rcd 17663 (2011) (the “Transformation Order”).

\$372,792. Staff determined the Company's 2013 Idaho revenues were \$371,226, which is within that range of reasonableness. Comments at 3.

According to Staff, Oregon-Idaho's access rates will decline over the next five years, as required by the FCC's *Transformation Order*. *Id.* By 2016, revenues from those rates will be eliminated and transitioned to a "bill and keep" arrangement between carriers. *Id.* Currently, the Company's access revenues account for over 50 percent of its total revenues. *Id.* With declining access revenues, the proposed residential rate increase will help off-set this decline and provide some stability to potentially avoid seeking assistance from the Idaho USF. *Id.*

Staff observed that the proposed rate of \$20.00 on June 1, 2017, is lower than the 2013 statewide average residential rate of \$21.73. See Order No. 32883; Comments at 3-4. Staff determined that the Company-proposed increases will not create substantial over-earning for Oregon-Idaho during the phase-in period. Comments at 4. Thus, Staff supports the Company's proposal to gradually increase the rate over four years, so as to avoid rate-shock to customers.

Because Oregon-Idaho operates in both Idaho and Oregon, Staff had some allocation concerns. Staff asked the Oregon Public Utilities Commission staff whether Oregon-Idaho had filed a similar rate increase case there. The Oregon staff indicated that Oregon does not regulate companies with fewer than 50,000 lines. On review of current Oregon rates, Staff noted that the Company's residential rates in Oregon comply with the current rate floor requirements for this year.<sup>3</sup> *Id.*

As to customer relations, Staff noted that Oregon-Idaho's press release and customer notice did not include all information required by the Commission's Rule 125, IDAPA 31.01.01.125. Specifically, the notice and press release did not provide the dollar amount requested, did not inform customers they could file comments with the Commission, and did not advise customers that they may subscribe to the Commission's "RSS feed" to receive periodic updates about the case via e-mail. See Rules 125.01 and 125.04. A second notice mailed by the Company on September 8, 2014, informed customers they could file comments with the Commission, request a hearing, and subscribe to the Commission's RSS feed. In light of revisions to the Commission's Rules of Procedure about customer notice that became effective in

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<sup>3</sup> Oregon-Idaho's Oregon rate structure has three zones. Including the assessed fees, the monthly residential rates are: Zone 1, \$14.60; Zone 2, \$16.35; and Zone 3, \$21.60. Comments at 4, n.3.

February 2014, Staff recommended that Oregon-Idaho review the updated rules and include all required information in future customer notices and press releases. Comments at 4.

In summary, Staff recommended the Commission approve Oregon-Idaho's proposed increase in residential rates to preserve its federal CAF funding. The Company did not file any reply comments.

### **COMMISSION DECISION AND FINDINGS**

The Commission has reviewed and considered the record in this case, including the Application, with three attached exhibits, and the Staff comments. Based upon our review, we find Oregon-Idaho's request to gradually increase its rates for monthly residential service is necessary to maintain its federal CAF funding. Failure to maintain the minimum monthly rates for continued CAF eligibility would result in a reduction in the Company's federal funds. Consequently, the current monthly rate is insufficient to maintain eligibility to receive future federal funds under the CAF program. *Idaho Code* §§ 61-502, 61-622(1). We also note that no customer opposed the proposed annual increases. Thus, we find the proposed increase in residential rates over the four-year period as set out in the Application is just and reasonable. *Idaho Code* §§ 61-502, 61-503.

### **ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Oregon-Idaho Utilities is a telephone corporation providing telecommunications services as defined in Title 61 of the Public Utilities Law. *Idaho Code* §§ 61-121, 61-129.

The Idaho Public Utilities Commission has jurisdiction over Oregon-Idaho Utilities pursuant to its authority under Title 61 of the Public Utilities Law. *Idaho Code* §§ 61-502, 61-622.

We find that Oregon-Idaho's current monthly rate for residential telephone service is insufficient to maintain eligibility to receive federal CAF-II support. *CAF-II Order* at ¶¶ 80, 85; *Idaho Code* § 61-502. We further find that Oregon-Idaho's proposed increase in its monthly residential rates over four years to meet the FCC's rate floor and maintain eligibility for CAF-II funding, is just and reasonable. *Idaho Code* §§ 61-503, 62-622.

### **ORDER**

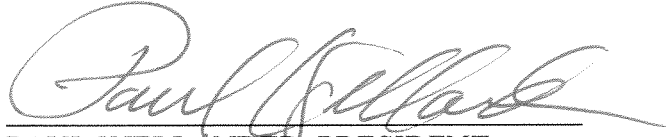
IT IS HEREBY ORDERED that Oregon-Idaho Utilities' Application to increase its monthly residential rates for telephone services over a four-year period is approved.

IT IS FURTHER ORDERED that Oregon-Idaho's tariff Sheet No. 301 and First Revised Sheet No. 301 included as Exhibits 1 and 2 to the Application are approved effective December 1, 2014, and thereafter as set out in Exhibits 1 and 2.


IT IS FURTHER ORDERED that the Company review and comply with the customer notice provisions contained in the Rules of Procedure, IDAPA 31.01.01.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28<sup>th</sup> day of October 2014.

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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